Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
	)	
Numbering Resource Optimization	)	CC Docket No. 99-200
	)	
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	)	CC Docket No. 96-98
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Intercarrier Compensation for ISP-Bound Traffic	)	CC Docket No. 99-68
	)	
IP-Enabled Services	)	WC Docket No. 04-36

REPLY COMMENTS OF COMCAST CORPORATION

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Reform Intercarrier Compensation Now

Given the significance of the voice services and telecommunications industry as a driver of the U.S. economy, the Commission must act now to fix its "broken" intercarrier compensation regime. The voluminous record before the Commission shows widespread recognition of the need for the Commission to move to a unitary transport and termination rate based on an "incremental cost" standard. The record also supports the Commission's basic principle that rates charged under tariffs and interconnection agreements during the transition to a unitary rate should not increase. In addition, the Commission should require the industry to complete the transition in three years.

Classify Interconnected VoIP Traffic as an Information Service and Confirm that Wholesale Carriers are Telecommunications Carriers

The comments demonstrate support among diverse commenters for the Commission's proposal to classify interconnected VoIP traffic as an information service. There is also substantial support in the record for the Commission to confirm that CLECs providing telecommunications services to facilities-based interconnected VoIP providers are "telecommunications carriers" entitled to all of the rights conferred by sections 251 and 252. Reaffirming these wholesale telecommunications carriers' rights is one of the most important pro-competitive actions the Commission can take in this proceeding, to avoid disrupting millions of consumers who subscribe to competitive alternatives.

Reject Backward-Looking Network Edge Rules, the Proposed "Make Whole" Subsidy Guarantee for Rate-of-Return ILECs, and the Flawed Reverse Auction Proposal

The proposed "network edge" trunking and interconnection rules ignore current network configurations, fail to account for the complexity of existing interconnection arrangements, and should be rejected. The "make-whole" subsidy guarantee proposed for rate-of-return ILECs would serve no defensible purpose and should also be rejected. The "make-whole" subsidy would only shield rate-of-return ILECs from the pro-consumer incentives fostered by competition. Instead, the Commission should apply the same standard post-reform to rate-of-return ILECs that it applies to price cap ILECs in determining their need for additional subsidy payments and take into account revenues such carriers receive from both regulated and non-regulated sources. Finally, the proposed plan for the use of reverse auctions to distribute universal service support is flawed and should be rejected.

Conclusion

Comcast urges the Commission to adopt its reform plan now, with the pro-consumer, pro-competition revisions Comcast proposed in its November 26 comments.

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REPLY COMMENTS OF COMCAST CORPORATION

Comcast Corporation ("Comcast") and its affiliates hereby submit these reply comments in response to the Further Notice of Proposed Rulemaking ("*Notice*") released by the Federal Communications Commission in the above-captioned proceeding.[1]

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1 *High-Cost Universal Service Support*, WC Dockets No. 05-337, *et al.* & CC Dockets No. 96-98, *et al.*, Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, FCC 08-262 (rel. Nov. 5, 2008) ("*Notice*").

I. The Commission Should Act Now to Reform Intercarrier Compensation

The Commission has the record, the opportunity and, indeed, the imperative to act now to reform intercarrier compensation. Comcast urges the Commission to adopt its reform plan now, with the pro-consumer, pro-competition revisions Comcast proposed in its November 26 comments.

Over 120 parties filed comments in response to the Commission's *Notice*. *Not a single one* suggested that today's intercarrier compensation system is functioning properly – or working well. Instead, there is broad consensus among the various industry segments as well as state regulatory commissions and other commenters that technological developments in the telecommunications sector are placing tremendous strain on the existing compensation system.[2] Particularly given the significance of the

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[2] *See, e.g.,* AT&T Comments at 1 ("In the seven years since the intercarrier compensation reform proceeding was launched, the telecommunications marketplace has changed almost beyond recognition, even as the archaic intercarrier compensation regime has remained essentially unchanged."); Free Press Comments at 5 (Nov. 26, 2008, filed Nov. 28, 2008) ("[W]e are in the converged broadband era. With this recognition comes the responsibility to launch a complete overhaul of the old regulatory model . . ."); *Ex Parte* Letter from Ben Scott, Free Press, to Marlene Dortch, FCC Secretary, at 2 (Oct. 13, 2008, filed Oct. 14, 2008) ("There appears to be consensus in the record that the regulatory framework put in place by the Commission to implement the interconnection and universal service provisions of the Act is being overtaken by innovation, progress, and arbitrage."); Verizon Comments at 2 ("Above all, the Commission should ensure that outdated rules designed for old-world services in a different era do not hinder the development of these services. The Commission has an opportunity to accomplish this goal this year."); California PUC Comments at 14 ("California strongly supports efforts to reform the intercarrier compensation regime. We agree it must be overhauled."); Sprint Nextel Comments at 3 (agreeing that reform is necessary, citing "the myriad of severe regulatory arbitrage problems and the rapid shift to IP technology"); CTIA Comments at 2, 7 ("Over the last decade, the technologies and marketplace of America's communications sector have changed significantly. . . . As a result of all of these factors, intercarrier compensation and universal service reform must reflect new technological and marketplace realities."). (Unless otherwise indicated, all comments cited herein were filed in WC Docket No. 05-337 on November 26, 2008.)

voice services and telecommunications industry as a driver of the U.S. economy,[3] the Commission must act now to fix its "broken" compensation regime.

Comcast commends the Commission for tackling reform and giving parties the opportunity to review and comment on its proposals and to build a voluminous record in support of bringing all traffic under a unified compensation system. The comments show widespread recognition of the need for the Commission to move to a unitary transport and termination rate based on an "incremental cost" standard.[4] The record also supports the Commission's basic principle that rates charged under tariffs and interconnection

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3 *See* CTIA Comments at 2 ("Reform is crucial to ensure that providers are able to invest in infrastructure, deploy broadband, and make innovative services available to all Americans. Such services are essential to the country's economic growth and global competitiveness in the twenty-first century."); *see also* Teleconsensus Coalition, *The Telecommunications Economy: Job Creation*, at 1 (viewed Dec. 22, 2008), *available at*: <http://www.teleconsensus.com/NR/rdonlyres/etasb5bo46okg4er76vxcsaeigyijm2loyuhs w2c6vmnrg2mmejcdk35amx4ciq3q4b37jh3t7pg7ne6aokowb45ltb/FACTSHEET JobCreation.pdf> ("Telecommunications is the central nervous system of the American economy. . . . Between 1995 and 2004, advances in telecommunications and information technology were responsible for as much as 75% of U.S. labor productivity gains."); Robert D. Atkinson, Andrew S. McKay, *Digital Prosperity: Understanding the Economic Benefits of the Information Technology Revolution*, at 3, 5 (March 2007), *available at*: <http://www.itif.org/files/digital_prosperity.pdf> ("In the new global economy information and communications technology (IT) is the major driver not just of improved quality of life for people, but also of economic growth. Yet, most policymakers around the world do not adequately appreciate this fundamental reality. . . . The right IT public policies might mean the difference between adding 2 percentage points of productivity growth per year to the economy instead of just 1 percentage point. This might not sound like much difference, but it is the difference between incomes doubling in 36 years instead of 70 years.").

4 Missouri PSC Comments at 4 ("A unified rate for terminating all forms of traffic will eliminate regulatory arbitrage concerns and more accurately reflect incremental costs."); CTIA Comments at 21 ("CTIA has long championed such reform, and applauds the proposed shift to a unified, cost-based rate for the termination of all telecommunications traffic. The adoption of a unified, cost-based rate will limit marketplace distortions, promote efficiency, and reduce costs for consumers."); *see also* Sprint Nextel Comments at 4-7.

agreements during the transition to a unitary rate should not increase.[5] In addition, the Commission should require the industry to complete the transition in three years, rather than prolong the harmful, anticompetitive and outdated intercarrier compensation system over a decade-long transition.

II. The Commission Should Classify Interconnected VoIP Traffic as an Information Service and Confirm that Wholesale Carriers are Telecommunications Carriers

The comments filed in response to the *Notice* also demonstrate that a wide range of industry and other commenters support the Commission's proposed conclusion that interconnected VoIP traffic should be classified as an information service. In particular, both AT&T and Verizon endorse this finding, and they both agree with the legal rationale described by the Commission in Appendix C of the *Notice* and by Comcast in its comments.[6] Specifically, AT&T and Verizon point out that interconnected VoIP services "involve a net protocol conversion between end users" that justifies this classification, and also note that additional reasons support the classification of interconnected VoIP as

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5 AT&T Comments at 31 n.42 ("At the same time, the Commission should ensure that IP/PSTN traffic that is currently rated as 'local' traffic—which is true of a large degree of 'fixed VoIP' traffic provided by cable companies—is not subjected to a sudden increase from local reciprocal compensation rates to access rates. As the Commission has found, it may subject any traffic within its jurisdiction to the state arbitration framework under Sections 251(b)(5) and 252(d)(2). Doing so here will ensure that IP/PSTN traffic, like all other traffic subject to the new regime outlined by the *Draft Order*, will not be subject to rate *increases* as a result of the new transitional plan. *See, e.g.*, *Appendix C Draft Order* ¶ 187-92 & n.492 (explaining that carriers whose rates are below the interim rates may not increase their rates)."); NCTA Comments at 24 ("rates for VoIP traffic that today is exchanged pursuant to access tariffs should be ratcheted down over time as provided for in the draft item").

6 *See Notice* at Appendix C, ¶¶ 204-205; Comcast Comments at 17-19.

an information service "as a categorical matter."[7] Verizon cites "the fact that the voice calling capabilities of [VoIP] services are inherently tightly integrated with a host of other features and functions that themselves are information services,"[8] while AT&T states that VoIP services "increasingly include Internet-enhanced features such as integration with instant messaging, sophisticated 'talking' email in place of traditional voicemail, call- and contact-management features, and the ability to access online applications during any call."[9] These views are echoed in comments from CLECs, wireless carriers, VoIP service providers, and other Internet and information technology companies.[10]

Based on this wide ranging industry support and the satisfaction of the legal criteria for an information service classification, the Commission should classify

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[7] AT&T Comments at 23-24; Verizon Comments at 21-24.

[8] Verizon Comments at 22.

[9] AT&T Comments at 24. Comcast agrees with the position of AT&T and Verizon that the classification of interconnected VoIP as an information service should not subject those VoIP services to the Commission's *Computer Inquiry* rules. AT&T Comments at 25-27; Verizon Comments at 25-27. The Commission does not apply those rules to broadband Internet access and numerous enterprise broadband services, and its approach to interconnected VoIP should be no different. *See Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853, ¶ 41 (2005); *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Its Broadband Services*, Memorandum Opinion and Order, 22 FCC Rcd 18705, ¶¶ 53-58 (2007).

[10] *See, e.g.,* Global Crossing Comments at 6 (supporting decision to classify interconnected VoIP services as information services, "because these services involve a net protocol conversion between IP and TDM"); Sprint Nextel Comments at 9-10 (agreeing with Commission decision to classify IP/PSTN services as information services due to net protocol conversion between end users); T-Mobile Comments at 10 ("support[ing] the tentative decisions in the Draft Proposal to classify [VoIP] and other IP-PSTN and PSTN-IP services as information services"); Comments of the VON Coalition, *et al.*, at 9 (urging the Commission "to declar[e] VoIP providers to be information service providers") ("High Tech Associations Comments").

interconnected VoIP service as an information service and pre-empt the states from imposing "traditional telephone company" or telecommunications regulations, or other rules or policies inconsistent with the Commission's policy of nonregulation of information services.

The comments also demonstrate substantial support for Comcast's position that CLECs providing telecommunications services to facilities-based interconnected VoIP providers are telecommunications carriers under the Communications Act of 1934, as amended ("Act"), and are therefore entitled to all of the rights conferred by sections 251 and 252 of the Act on such carriers. According to Verizon, "[t]he Commission should state that VoIP providers that operate as a carrier and connect directly with an ILEC as well as to those who use the services of an affiliated or unaffiliated wholesale telecommunications carrier may continue to obtain interconnection as provided in the Act."[11] AT&T similarly observes that for CLECs serving VoIP providers, "the ILEC's interconnection obligations and any additional obligations under Section 251(b) will apply to the same extent as they do today with respect to any other interconnecting carrier."[12] An array of CLECs, their investors, wireless carriers, and VoIP and Internet companies agree with this position, regardless of the Commission's decision on the regulatory classification of interconnected VoIP service.[13] Clearly, reaffirmation of the

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11 Verizon Comments at 27.

12 AT&T Comments at 25.

13 *See, e.g.,* Global Crossing Comments at 8 ("[the Commission] should clarify that wholesale carriers on which providers of [interconnected VoIP services] rely remain entitled to interconnect and exchange traffic with local exchange carriers under Section 251 of the Act"); Sprint Nextel Comments at 10-11 ("the Commission should reaffirm that telecommunications carriers providing service to VoIP service providers on a

rights of these wholesale telecommunications carriers is one of the most important pro-competitive actions the Commission can take in this proceeding.[14] As Comcast has pointed out, its ability to provide its competitive alternative to millions of customers and save these consumers billions of dollars is directly dependent on Comcast's exercise of its rights to interconnection, number porting, and other services and safeguards under sections 251 and 252 of the Act.[15]

III. The Commission Should Reject Backward-Looking Network Edge Rules and the "Make Whole" Subsidy Guarantee for Rate-of-Return ILECs

As Comcast explained in its initial comments, the "network edge" trunking and interconnection rules proposed in Appendices A and C fail to account for the complexity of existing interconnection arrangements and ignore current network configurations

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wholesale basis retain all of their existing rights to interconnection, numbering resources, and UNEs, regardless of the regulatory classification of IP/PSTN services"); T-Mobile Comments at 10 ("regulatory classification of a VoIP or other service provided to end users has no bearing on the interconnection rights under Section 251(a) and (b) of a telecommunications carrier that supplies wholesale telecommunications service to the VoIP provider"); Telecom Investors Comments at 11 (arguing that RBOCs must meet their "Section 251 and 252 obligations with respect to CLECs that provide telecommunications service to VoIP and other information service providers"); Time Warner Cable Comments at 6 ("there should be no doubt about the continuing ability of a wholesale carrier—whether or not it is affiliated with the VoIP provider—to obtain interconnection in its own right for the purpose of providing these wholesale transmission services to the VoIP provider"); High Tech Associations Comments at 9 (urging the Commission "to clarify that Section 251 of the Communications Act allows CLECs to obtain interconnection and unbundled network elements that enable them to provide wholesale telecommunications to third party end users such as VoIP providers that offer retail VoIP products and services").

14 As one example of the real world importance of reaffirming the interconnection and other rights of CLECs under the Act, rural ILECs in eight states serving almost 150,000 consumers have refused to interconnect with Comcast's CLEC entities. This stance has effectively denied their customers the benefits of competition.

15 Comcast Comments at 15-16.

designed to achieve network efficiencies. Moreover, the rules proposed in Appendix C would require a carrier seeking to exchange traffic with a rural rate-of-return ILEC through indirect interconnection to pay for tandem transit service for the carrier's originating and terminating traffic.[16] Comcast accordingly urged the Commission to reject the proposed network edge rules.

A variety of commenters challenge the proposed trunking and interconnection rules on the grounds that they are unnecessary, imprecise, inconsistent with the Act, and, in any event, should not include a rural transport exception. COMPTEL and NCTA, for example, urge the Commission to reject the proposed rules, noting that adoption of the proposed rules is not necessary to achieve intercarrier compensation reform.[17] RNK points out that "interconnection architectures have been actively addressed by state commissions in arbitrations since the passage of the Act," and "there is no need to 'fix' what is not broken."[18] Broadview Networks, Cavalier Telephone, NuVox, and XO Communications also oppose adoption of the rules because they are "not integral to the goal of intercarrier compensation reform."[19]

Other commenters emphasized the vagueness of the proposed rules. The Texas Statewide Telephone Cooperative, for example, contends that the proposed network edge rules are "premature and lack clarity."[20] The Nebraska Rural Independent Companies illustrates the ambiguity of the proposed rules by listing a series of issues that the rules do

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16 *Id.* at 21-24.

17 COMPTEL Comments at 20; NCTA Comments at 17.

18 RNK Comments at 19.

19 Broadview Networks, *et al.* Comments at 47.

20 Texas Statewide Telephone Cooperative Comments at 30.

not address and recommends that the Commission not adopt the proposal "until further details are provided."[21] The Public Utilities Commission of Ohio similarly objects to the rules because, among other things, they do not appear to address certain types of traffic, such as transit.[22]

Competitive providers further observe that the proposed rules appear to be inconsistent with the interconnection rights of competitors under sections 251 and 252 of the Act. NCTA, for example, states that the "proposed rules will create uncertainty with respect to the continued applicability of the Commission's 'single POI per LATA' policy, pursuant to which a CLEC is entitled to interconnect and exchange traffic at a single point of interconnection in each LATA and not be forced to interconnect at additional locations."[23] Citynet, Granite Telecommunications, PAETEC Communications, RCN Telecom Service and U.S. Telepacific contend that the proposed rules are inconsistent with the section 251(c)(2) requirement that ILECs provide interconnection at any technically feasible point at the request of CLECs.[24]

Many commenters likewise urged the FCC not to adopt the special "rural transport" exception proposed in Appendix C. Verizon and Verizon Wireless, for example, note that the rural exception would "effectively set different rates for different carriers, perpetuating the rate disparities that have distorted today's intercarrier compensation regime and undermining the Commission's stated goals of uniformity,

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21 Nebraska Rural Independent Companies Comments at 13-14.

22 Public Utilities Commission of Ohio Comments at 53.

23 NCTA Comments at 18.

24 Citynet, *et al.* Comments at 13-14; *see also* COMPTEL Comments at 20-21; tw telecom, *et al.* Comments at 19.

symmetry, and competitive neutrality."[25] CTIA, Leap Wireless and T-Mobile similarly urge the Commission to reject the proposed rural exception, which effectively would permit rural ILECs to shift their network costs onto their competitors' customers, as contrary to the public interest and without legal basis.[26] Consistent with these comments, the FCC should reject the proposed network edge rules.

A diverse set of commenters, including state commissions, residential and business consumer advocates, ILECs, CLECs, and wireless carriers, also agree with Comcast that the proposed "make-whole" subsidy for rate-of-return ILECs would serve no defensible purpose and should be rejected by the Commission. Like Comcast, these commenters see no basis for distinguishing between price cap ILECs and rate-of-return ILECs, given that most of these rural carriers now use their network facilities to provide numerous services to rural customers that are not subject to price regulation, including long distance voice, broadband Internet access, and multichannel video service.

Specifically, the Missouri Public Service Commission points out that "[a]s with price cap incumbent LECs, rural rate-of-return carriers use the 'same supported network' to provide both regulated and non-regulated services, and as such, should be treated the same."[27] CTIA agrees, stating that "additional support should not be provided to *any* carrier unless it can show that it cannot earn a return on investment, taking into account all revenue opportunities available from the supported network, and assuming increases

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25 Verizon Comments at 54.

26 CTIA Comments at 30-32; Leap Wireless Comments at 12-15; T-Mobile Comments at 11-12; *see also* NARUC Comments at 23-24 ("it does not appear that the draft provides either a legal or policy justification for the rules").

27 Missouri PSC Comments at 8.

in SLCs and end-user rates to the maximum degree."[28] Cincinnati Bell further agrees with Comcast that the proposed "make-whole" policy for rate-of-return ILECs is not competitively neutral, and argues that "there is no reason why the Commission should require all other carriers and consumers to contribute $1.5 billion over five years to protect the rural ILECs from the consequences of competition."[29]

In sum, the Commission should unequivocally establish that neither price cap ILECs nor rate-of-return ILECs are entitled to a "make-whole" dollar-for-dollar recovery of any revenues previously received from intercarrier compensation payments. As the AdHoc Telecommunications Users Committee states, "[t]he Commission should not leap to maintain current [rural] LEC revenues that it has itself acknowledged may be excessive in a new intercarrier compensation regime. It simply makes no sense for the Commission to dramatically increase the amount of SLCs or USF subsidies flowing to ILECs."[30] Instead, the Commission should apply the same standard post-reform to rate-of-return ILECs that it applies to price cap ILECs in determining their need for additional subsidy payments and take into account revenues such carriers receive from both regulated and non-regulated sources.

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28 CTIA Comments at 35 (emphasis in original).

29 Cincinnati Bell Comments at 16. Ironically, one of the carriers that would appear to benefit from this guaranteed subsidy, which is intended to offset losses due to competition, has in fact sought to block Comcast's entry into the carrier's service area by refusing to interconnect with Comcast's CLEC entities. *See Petition of Vermont Telephone Company for Declaratory Ruling Whether Voice over Internet Protocol Services are Entitled to the Interconnection Rights of Telecommunications Carriers*, WC Docket No. 08-56 (Apr. 11, 2008).

30 AdHoc Telecommunications Users Committee Comments at 8; *see also* COMPTEL Comments at 28-31; NASUCA, *et al.* Comments at 21-23; Sprint Nextel Comments at 23-27; T-Mobile Comments at 20-21.

IV. The Proposed Plan for the Use of Reverse Auctions to Distribute Universal Service Support is Flawed and Should Be Rejected

In the *Notice*, the Commission sought comment on its Appendix B proposal to utilize reverse auctions to determine how much high-cost universal service support to provide to eligible telecommunications carriers ("ETCs") serving rural, insular, and high-cost areas.[31] Consistent with its previous filings, Comcast continues to support the use of a properly designed, technologically and competitively neutral reverse auction to determine eligibility for receiving high-cost universal service support.[32] An appropriately designed reverse auction would reward the most efficient service providers and thereby replicate the dynamics of a competitive marketplace. In addition, a properly designed reverse auction would further the statutory goal of sustainability by encouraging the provision of service in high cost areas at a lower cost than under the current system. A reverse auction would also serve the interests of consumers across the nation by likely reducing their universal service contribution burden.

The reverse auction mechanism proposed in Appendix B, however, would not be competitively neutral, despite the Commission's prior acknowledgement of the importance of this criterion.[33] Specifically, the proposal to use an incumbent LEC's

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31 *Notice* ¶ 40; *id.* at Appendix B, ¶¶ 18-38.

32 *See* Comments of Comcast Corporation, WC Docket No. 05-337, at 5 (May 31, 2007).

33 *See, e.g., Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, ¶ 47 (1997). Another aspect of the Commission's Appendix B proposal that raises concerns regarding technological and competitive neutrality is the disparity between the universal contribution amount for business connections up to 64 kbps ($5.00 per month) and the contribution amount for business connections above 64 kbps ($35.00 per month). *Notice* at Appendix B, ¶ 82. Under this approach, a business customer receiving broadband VoIP service would contribute *seven times* more per connection than

study area as "the appropriate geographic area on which to base reverse auctions" obviously would give incumbents an unfair and unwarranted advantage in the bidding process.[34] The Commission itself previously has noted explicitly that "[b]asing the geographic area on any particular carrier's service area would likely give that carrier an advantage in bidding because the competing carriers are unlikely to have the same service footprint."[35] If a wireless carrier's licensed service area, for example, did not include all of an ILEC's study area, the wireless licensee would be unable to provide service using its wireless system throughout the geographic area covered by the auction without investing additional capital to extend wireless service to new areas – and spectrum may not be available in those areas. The alternative of using smaller geographic areas not aligned with any particular carrier's network would provide a more competitively neutral approach, and would also permit high-cost support to be targeted more precisely to areas that truly involve higher costs to serve.[36]

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a business customer receiving voice service over a traditional twisted copper pair. For smaller business customers who subscribe to a VoIP service provided through a cable modem or DSL connection, this monthly universal service fee for VoIP service could approach the monthly service charge assessed by their broadband provider. Before adopting this proposal, the Commission should consider whether there is any public interest justification for this dissimilar treatment of voice services. *See* AT&T Comments at 46-47; Letter from Jamie Tan, AT&T Services, Inc., to Marlene Dortch, FCC Secretary, CC Docket No. 96-45 (Dec. 18, 2008).

34 *See Notice* at Appendix B, ¶ 22.

35 *High-Cost Universal Service Support*, Notice of Proposed Rulemaking, 23 FCC Rcd 1495, ¶ 19 (2008).

36 California, for instance, has proposed to use geographic areas of Census Block Groups for an auction to award advanced services support. *Order Instituting Rulemaking into the Review of the California High Cost Fund B Program*, Rulemaking 06-06-028, Interim Opinion Adopting Reforms to the High Cost Fund-B Mechanism, Decision 07-09-020, at 102-103, 108-119 (CPUC, Sept. 13, 2007), *available at*: <http://docs. cpuc.ca.gov/word_pdf/final_ decision/72734.pdf>.

Moreover, the proposal presented in Appendix B suffers from the same flaw that afflicted the Commission's earlier notice of proposed rulemaking: it ignores a variety of complex, difficult issues that are inherent in developing a sound proposal for reverse auctions. For example, the proposal does not address how it will ensure that multiple bidders participate in subsequent auctions after the initial auctions are completed.[37]

Flawed reverse auction rules cannot effectively replicate the dynamics of a competitive marketplace. In light of the evident shortcomings in the approach presented in Appendix B, the Commission should reject that proposal.

V. Conclusion

Comcast urges the Commission to adopt its reform plan now, with the pro-consumer, pro-competition revisions Comcast proposed in its November 26 comments.

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37 The Commission could obviate the need for multiple bidders in future auctions by limiting the use of auctions to a one-time support payment to subsidize the build-out of new broadband plant to unserved areas. But if the current regime continues, where support payments are made annually with no end in sight, any effective auction mechanism will depend upon multiple bidders now and in the future.

Certificate of Service

I, Ruth E. Holder, hereby certify that on this 22nd day of December, 2008, I caused true and correct copies of the foregoing Reply Comments of Comcast Corporation to be mailed by electronic mail addressed to:

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